

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

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E.O. 11652: N/A

TAGS: EFIN, CA, US

SUBJECT: BANK OF CANADA DOUBLES SWAP FACILITY WITH FEDERAL
RESERVE

1. BANK OF CANADA ISSUED FOLLOWING PRESS RELEASE JULY 10:

"THE BANK OF CANADA IS A PARTICIPANT IN THE LARGE
INCREASE ANNOUNCED TODAY IN THE TOTAL OF THE RECIPROCAL
CURRENCY ARRANGEMENTS BETWEEN THE U.S. FEDERAL RESERVE
SYSTEM AND THE CENTRAL BANKS OF A NUMBER OF OTHER MAJOR
TRADING COUNTRIES. THE SWAP FACILITY BETWEEN THE
FEDERAL RESERVE AND THE BANK OF CANADA HAS BEEN
INCREASED FROM \$1,000 MILLION TO \$2,000 MILLION.

"AN INCREASE IN THE EXISTING SWAP FACILITIES WAS
ENVISAGED IN THE COMMUNIQUE ISSUED IN PARIS ON MARCH 16,
1973, BY THE MINISTERS AND CENTRAL BANK GOVERNORS OF
THE GROUP OF TEN AND THE MEMBER COUNTRIES OF THE
EUROPEAN ECONOMIC COMMUNITY AS A MEANS OF ENSURING
FULLY ADEQUATE RESOURCES FOR OFFICIAL INTERVENTION IN
EXCHANGE MARKETS IN CASES AND AT TIMES WHERE SUCH
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INTERVENTION IS JUDGED DESIRABLE BY THE COUNTRIES WHOSE

CURRENCIES ARE INVOLVED.

" A DRAWING ON THE FEDERAL RESERVE SWAP NETWORK INVOLVES A SHORT-TERM EXCHANGE OF THEIR OWN CURRENCIES BETWEEN THE UNITED STATES AND ONE OF THE OTHER PARTICIPANTS, AND IS MADE ONLY WITH THE AGREEMENT OF THE TWO COUNTRIES INVOLVED.

"THE BANK OF CANADA NOTED THAT THE ENLARGEMENT OF THE U.S. SWAP NETWORK WOULD NOT CHANGE THE ARRANGEMENTS FOR OFFICIAL INTERVENTION IN THE EXCHANGE MARKET FOR CANADIAN DOLLARS."

2. MORNING PAPERS JULY 11 GAVE EXTENSIVE COVERAGE IN BUSINESS SECTIONS TO OVERALL SWAP PACKAGE AND WERE IN GENERAL AGREEMENT THAT MOVE WOULD HAVE STABILIZING EFFECT ON EXCHANGE MARKETS.

3. MONTREAL GAZETTE QUOTES BANK OF CANADA SPOKESMAN AS SAYING THAT WITH US AND CANADIAN DOLLARS FLOATING NEAR PARITY, IT UNLIKELY THAT US WOULD MAKE USE OF INCREASED CANADIAN SWAP FACILITY. WITH INCREASED ACCESS TO DEUTSCHEMARK, SPOKESMAN ADDED THAT US NOW IN BETTER POSITION TO FOLLOW SAME POLICY THAT GOC HAS FOLLOWED SINCE FLOATING THE DOLLAR IN 1970.
SCHMIDT

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